GOVERNMENT OF INDIA
AGRICULTURE AND FARMERS WELFARE
LOK SABHA

UNSTARRED QUESTION NO:1546
ANSWERED ON:25.07.2017
Interest Subvention Scheme
Patel Smt. Jayshreeben

Will the Minister of AGRICULTURE AND FARMERS WELFARE be pleased to state:

(a) whether the Government is operating a scheme to disburse short term crop loan at the rate of 7% and 3% interest subvention is also being provided thereunder to the farmers who repay crop loan in time and if so, the details thereof along with the limit of finance of crop loan given to the farmers;

(b) whether the financial institutes are entitled to 2% interest subvention for their own funds for short term crop finance and if so, the details thereof;

(c) whether huge funds remain invested in the agricultural credit by way of principal of interest and if so, the details thereof and the manner in which the Government is going to help the District Co-operative Banks and Primary Agriculture Cooperative Societies so that their finances are strengthened;

(d) whether the Government is aware that the claims of farmers are not paid in time thereby depriving the institutes to utilise their funds for further use; and

(e) whether the Government is contemplating to sanction the claim of interest subvention at the earliest or provide 90% of the claim amount in advance in order to reduce the financial burden of interest and if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE AND FARMERS WELFARE

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(a) & (b): Yes, Madam. The Government has been implementing Interest Subvention Scheme since 2006-07. Under the Scheme, interest subvention of 2% per annum is provided to Public Sector Banks, Private Sector Scheduled Commercial Banks (in respect of their rural and semi-urban branches), Cooperative Banks and Regional Rural Banks on their own funds used for short term crop loans upto Rs.3.00 lakh per farmer provided the lending institutions make available short term credit at the ground

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level at 7% per annum to farmers. Farmers are provided with 3% additional interest subvention for the short term crop loan of upto Rs.3.00 lakh for a maximum period of one year for prompt repayment on or before the due date fixed by the financial institutions. Thus, farmers, who promptly repay their crop loans as per the repayment schedule fixed by the financial institutions, are extended loans at an effective interest rate of 4% per annum.

(c): The Government announces annual agriculture credit flow targets towards production credit (short term crop loan) and investment credit (term loan). During the past three years i.e. 2014-15, 2015-16 and 2016-17, the total agriculture credit flow targets have been Rs.8.00 lakh crore, Rs.8.50 lakh crore and Rs.9.00 lakh crore respectively and actual achievement of ground level credit flow has surpassed the targets. For 2017-18, the annual agriculture credit target has been fixed at Rs.10.00 lakh crore.

The following measures have been taken by NABARD to provide financial support to strengthen finances of Cooperative Banks:-

(i) In order to improve the capital of the banks, NABARD has issued guidelines to achieve 9% Capital to Risk (Weighted) Assets Ratio (CRAR) stipulated by RBI and has also urged State Governments to provide capital support to cooperative banks in case the banks fall short in their capital mobilization.

(ii) The Government has approved an assistance package for 23 unlicensed District Central Co-operatives Banks (DCCBs) to strengthen their financial position to enable them to secure RBI license and a total assistance of Rs 2560.29 crore was released to these banks with State Government share of Rs.1998.22 crore and Central Government share of Rs.562.07 crore. As a result, 20 DCCBs improved their CRAR and received license from RBI.

(iii) NABARD is providing refinance to Cooperative Banks for financing short term {(Seasonal Agricultural Operations (SAO) } loans to farmers as per the funds allocated by Government of India from time to time.

(iv) In view of banks facing liquidity constraints due to reasons like drought conditions and increased demand, withdrawal of deposits by Central Cooperative Banks (CCBs), etc. NABARD has provided additional short-term refinance for SAO to State Cooperative Banks over and above normal short term (SAO) limit during the year 2016-17.

(v) On lines with RBI instructions, Cooperative Banks were advised by NABARD to act with empathy and consider restructuring and granting fresh loans without waiting for the receipt of the insurance claims.

(vi) Refinance for Medium Term conversion for short-term loan on account of natural calamity is provided to Cooperative Banks making farmers eligible for fresh short term (SAO) finance.

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(vii) Refinance support to Cooperative Banks is also provided for financing short term (Weavers)/short term-other purposes.

(viii) Long Term/ Medium Term loan is also provided to enable Cooperative Banks to provide loans to farmers for undertaking all eligible agriculture and allied activities such as Dairy, Poultry, Minor Irrigation, Farm Mechanization, Land Development, Plantation & Horticulture, etc.

(d) & (e): The National Bank for Agricultural and Rural Development (NABARD) and Reserve Bank of India (RBI) raise claims with the Government under its Interest Subvention Scheme (ISS), wherein interest subvention of 2% per annum is provided to Public/Private Sector banks (PSBs), Cooperative Banks and Regional Rural Banks (RRBs) on their own funds used for short-term crop loan up to Rs.3 lakh extended to farmers at a subvented interest rate of 7% per annum for a period of one year and a further 3% interest subvention to farmers provided a incentive on prompt repayment.

As per the ISS provisions the banks should submit their audited claims to NABARD and RBI on a half yearly basis and these are forwarded to the Government for settlement. The Government clears the audited claims as and when these are received from NABARD/RBI. There is no proposal to provide 90% of the claim amount in advance.

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